

MAY/JUNE 2009

## State of the Union

Positive signs that our local real estate market is improving have been around for months. Now that the media is finally picking up on these facts, word is finally getting out that prices have stabilized, and even increased in some areas. Things are finally improving. Our team has been busier in the last two months than I can remember in a quite a while and we are very happy about it. Since our phones have been ringing off the hook and our email inboxes have been filling up, we thought that this edition of our newsletter would focus on the most common information that everyone seems to want to know these days.

The current market has shown us that prices in most areas have either stabilized or started to climb. This is fantastic for property owners and sellers because it means that overall values and thus equity continue to improve. Helping this trend is that the current number of homes sold in Los Angeles County contains fewer foreclosures and short sales so they are having less of an impact on current sale prices. Also supporting is the fact that the overall number of sales is up, yet there are fewer overall properties on the market. In other words, the current inventory is declining. To boot, houses sold faster last month than previous months. The average "days on market" was 52 for the Glendale area during the month of April. For full statistics and analysis in LA County and the individual cities/areas, please visit our blog at [www.teamgreenrealty.com/blog.htm](http://www.teamgreenrealty.com/blog.htm).

The good news does not stop there. Did you know that most first-time home buyer programs define a first-time buyer as simply someone who has not owned a house in the last three years...even if they have owned property before? This opens the door (pun intended) for many potential buyers to take advantage of several programs including tax breaks and down payment assistance. Add to this the fact that the credit market has generally loosened and financing is available, plus loans are readily available with as little as 3.5% down (VA loans can still be had for no money down) and we have a great recipe for both buyers and sellers. See page 3 for more information about the tax credit.



### **Double Agent Update:**

*Spring and summer are certainly in the air and they are our busiest seasons both personally and professionally. If you've been on the fence, now is the time for action. We are here to help.*

*We look forward to helping you with all your real estate needs now and in the future. We also look forward to working with*

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### **COMING SOON:**

Download Our Free iPhone Application from the Apple iTunes App Store!

Check our website and blog for the actual release date at [www.teamgreenrealty.com](http://www.teamgreenrealty.com)

## Your Principal Residence

The Federal Tax Code allows married taxpayers to exclude from capital gains taxes up to \$500,000 in profits from selling a home (singles can exclude \$250,000). In order to qualify for this exemption, you must prove that the home has been your principal residence for at least two out of the last five years. The establishment of the home as a principal residence depends on the facts of each homeowner's circumstance. Here are two cases to consider.

Homeowner A has lived at 25 Chevy Chase Drive for 12 years. Although he stays at his vacation cottage in Big Bear for up to three months out of each year (sometimes more), 25 Chevy Chase Drive is his principal residence, where he lives most of the time. When he sells the home, Homeowner A (filing as a

single individual) can keep up to \$250,000 in tax-free profit.

Homeowner B buys 108 Maple Street, intending to live there. He rents it out while waiting to sell his current home, where he has lived for six years. His principal residence sells at the end of two years. Homeowner B moves into his new house, lives there for three months, and then decides to travel. After a six-month trip, he decides to sell 108 Maple Street. Even though he has owned the house on Maple Street for over two years, it will not qualify as "owner-occupied," because he only lived in it for a few months. Thus Homeowner B is not eligible to claim the tax exemption when he sells the house on Maple Street.

“THE TIME PERIOD FOR INSPECTION CONTINGENCIES IS NEGOTIABLE “

### Inspection Contingencies

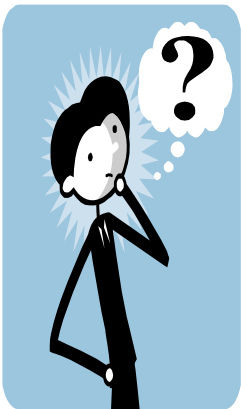
Many of today's purchase offers include a contingency clause that allows the buyers to hire a home inspector or professional expert to inspect the property. If there is a significant defect in the property, the buyer can cancel the contract without losing the earnest money deposit. Contingen-

cies are excellent procedures that protects both the buyer and the seller.

The time period for inspection contingencies is negotiable. In most parts of the country, the buyers have about a week in which to cancel the contract if

the physical inspection reveals a serious and consequential defect.

The positive side to such contingencies is that the inspection usually addresses--and overcomes--the buyers' misgivings, and confirms their decision to move ahead with the purchase.



### Did You Know...Home Prices Have Edged Upwards

The median price for existing, single-family homes rose 2.2% in March in California, according to the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.).

March marked the first month since August 2007 that the state's median sales price rose in month-to-month comparisons. According to the C.A.R. sales and price report, the median price of existing, single-family homes stood at \$253,040 in March.

Sales in California have soared in recent

months, with existing, single-family home sales increasing 63.8 percent in March to a seasonally adjusted rate of 522,980 on an annualized basis. Although home prices in most areas of the country are still lower than a year ago, the Federal Housing Finance Agency (FHFA) reported last week that home prices nationwide rose a seasonally adjusted 0.7% in February from January, led by gains on the West Coast.

While this is a positive sign for the market, it could mean that the window of opportunity for first-time home buyers is narrowing. See detailed statistics and analysis at [www.teamgreenrealty.com/blog.htm](http://www.teamgreenrealty.com/blog.htm).

## Understanding the Contract



When you are selling a home, the most important part of the transaction occurs after you have found a buyer. Our local Board of Realtors has standard contract forms we use that reflect the legal requirements of the jurisdiction in which we live. These contracts include the sales price, financing contingencies, completion deadlines, and other items that are required in order to meet local government requirements. While it is quite a large stack of paper, it is all very necessary and we will take as much time as needed to review it with you and answer all of your questions. We want you to be completely comfortable with every word on every page so we will spend as much time as you need reviewing documents with you. That is all part of the excellent customer service Team Green provides.

You may find that trying to sell your own home in order to save the brokerage fee is false economy. Real estate sales are complicated, and a slight variation in language can sometimes cost you a sale and/or a lot of money. Many of our listings came from sellers who thought their homes were sold, only to lose the buyers at the last minute--on a technicality! If you have questions, or just plain need advice, give us a call today at 818.568.8402. We are here to help.

## Your Mortgage

Many homeowners overlook the mortgage payment as a tool for financial management. They get the mortgage, move in, make the payments, and pay off the loan eventually. Smart homeowners know that by properly adding to their monthly payments, even by a small amount, they can substantially reduce the term of their loan, not to mention the total interest they will pay. In

fact, prepaying one full year of a standard mortgage can save thousands of dollars in interest. The key is to do it properly and to find the right lender for whom prepayment is not a problem.

More progressive lenders allow the option to add money to the monthly payment which goes directly to the principal. How much should you add? It's largely a per-

sonal decision, and it depends on your cash flow. But be mindful of the fact that the mortgage interest rate is probably the lowest interest loan you will find, so don't short yourself with prepayment only to run up credit card debt!



## First-Time Home Buyer Tax Credit

Did you know that the new first-time home buyer tax credit, as well as many other programs, define a "first-time" homebuyer as someone who has not owned a residence in the last three years, even if they have owned property before? Congress has passed legislation that grants a tax credit of up to \$8,000 to first-time home buyers.

**Who Qualifies?** First-time home buyers who purchase homes between January 1, 2009 and December 1, 2009. To qualify as a "first-time home buyer" the purchaser or his/her spouse may not have owned a residence during the three years prior to the purchase.

**Which Properties Are Eligible?** The 2009 First-Time Home Buyer Tax Credit may be applied to primary residences, including: single-family homes, condos, townhomes, and co-ops.

*Continued on page 4*

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## *First-Time Home Buyer Tax Credit (continued from page 3)*

**How Much Will the Credit Be?** The maximum allowable credit for home buyers is \$8,000. Each home buyer's tax credit is determined by two factors: The price of the home—the credit is equal to 10% of the purchase price of the home, up to \$8,000. The buyer's income—single buyers with incomes up to \$75,000 and married couples with incomes up to \$150,000—may receive the maximum tax credit.

**If the Buyer(s)' Income Exceeds These Limits, Can He/She Still Get a Credit?** Yes, some buyers may still be eligible for the credit. The credit decreases for buyers who earn between \$75,000 and \$95,000 for single buyers and between \$150,000 and \$170,000 for home buyers filing jointly. The amount of the tax credit decreases as his/her income approaches the maximum limit. Home buyers earning more than the maximum qualifying income—over \$95,000 for singles and over \$170,000 for couples are not eligible for the credit.

**Will the Tax Credit Need to Be Repaid?** No. The buyer does not need to repay the tax credit, if he/she occupies the home for three years or more. However, if the property is sold during the three-year period, the credit will be recouped on the sale.